



chair **John Chiang**
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State of California
Franchise Tax Board

06.14.11

To: Selvi Stanislaus
From: Jeanne Harriman
Subject: Board Approval for Contracts Exceeding \$1 Million

Memorandum

This memorandum provides information for your notification to the Board pursuant to the Board's resolution requiring approval for purchases exceeding \$1 million.

Genesys Software Maintenance Renewal

This software helps management measure, report, and allocate call center resources optimally and in a uniform manner across the ARM Division. The optimization accelerates revenue collection by creating a framework to ensure the right resources are in place at the right times to answer call volumes and resolve cases.

FTB anticipates that it will amend the current contract to exercise the option to extend for three years, which should save FTB almost \$200,000. With these savings, the contract amount should be approximately \$1.6 million for three years of maintenance.

Software AG (Database for all TI and BETS Data)

This request seeks approval to renew our software maintenance renewal with Software AG to use their software products on FTB's mainframe computer. These software products are critical within FTB's operating system platform. FTB would not be able to perform many of its revenue generating functions and various collection related or administrative tasks that involve our mainframe computer, without this software maintenance renewal. This Agreement will be renewed by October 1, 2011, and depending on the outcome of price negotiations, we anticipate a multi-year renewal in excess of \$1 million.

IBM Mainframe Replacement

This request seeks approval to purchase an IBM mainframe replacement. By replacing the Central Processing Unit (CPU), FTB will have the resources necessary to handle growth in existing workloads effectively.

FTB's business processes are supported by a full-service data center. In an average month, the data center processes approximately 17 million online transactions and runs more than 237,000 batch processes. During peak filing season, FTB processes 20 million transactions and runs 298,000 batch processes. The data center also generates 2.8 million printed pages per month of in-house documents, notices, bills and letters during peak season and collects over \$53.96 billion or 62% of the General Fund revenues annually.

Failure to purchase the CPU will severely impact FTB's ability to meet its fiscal goals and legislative mandated responsibilities resulting in financial loss to the State including: 1) the risk of increased interest costs on refund returns; 2) delayed receipt of cash payments resulting in lost interest on revenue; and 3) reduced efficiencies in the Audit, Filing Enforcement and Collections programs equating to delays in revenue production. This request is supported by the FY 2011/12 Mainframe Replacement for Workload Growth BCP as approved by the Franchise Tax Board, the State and Consumer Services Agency, Department of Finance, and Legislature. The BCP provides funding for the replacement of the mainframe's CPU, additional storage space, and software. The purchase order needs to be sent to IBM before September 1, 2011, and the estimated cost is \$2.8 million.

Compuware (Mainframe Programming and Technical Tools)

This request seeks approval to renew our software maintenance with Compuware to use their software products on FTB's mainframe computer. These software products are critical within FTB's operating system platform. FTB would not be able to perform many of its revenue generating functions and various collection related or administrative tasks that involve our mainframe computer, without this software maintenance renewal. This Agreement will be renewed by August 1, 2011 for an anticipated cost of \$1.1 million. This will be a five-year agreement.

Computer Associates (Mainframe Information Security and System Access)

This request seeks approval to upgrade our software maintenance with Computer Associates due to the mainframe replacement. These software products are critical within FTB's operating system platform. FTB would not be able to perform many of its revenue generating functions and various collection related or administrative tasks that involve our mainframe computer, unless we upgrade our software maintenance. This Agreement will be completed by November 1, 2011 for an estimated cost of \$1 million for the upgrade.

If you have any questions regarding any of the above items, please contact Susan Borgman at 845-3367.

Jeanne Harriman

Director, Financial Management Bureau